

Town of Lunenburg Proposed Annual Budget –FY2011

February 25, 2010



FY2011 Recommendation

- Prepare Revenue Estimates
- Governor's Budget (House 2) issued
- Additional data on Local Receipts
- Health Insurance Renewal-prelim.
- Retirement Assessment received
- Monty Tech Assessment- prelim.



FY2011 Recommendation

- Disclaimers

- At this early stage in the process, the document is only "good" the day it is printed.
- Use a number of assumptions early on, which firm up as we get closer to Town Meeting
- Uncertainty around State Aid & New Growth



FY2011 Recommendation

- Balanced
- Effort was made to insure that core services- Education, Fire, Police, & Public Works- were held as close to level as possible



FY2011 Recommendation

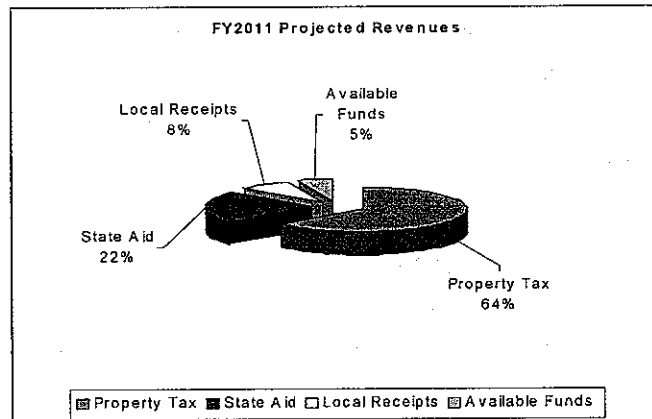
- Funding to cover all contractual salary increases
- Funding to cover all salary increases due SAP employees (No COLA)
- Balanced budget proposal is based upon use of recurring revenues for operating costs, meaning there is NO request for a draw on either Free Cash or the Stabilization Fund



FY2011- Revenue Estimates

- Sources of Revenue
 - Property Tax
 - State Aid/ Cherry Sheet
 - Local Receipts
 - Available Funds

FY2011- Revenue Estimates



FY2011 Revenue Estimates

Revenue	FY2010	FY2011	\$ Increase	% Increase
	Budget	Recommend.	Over Prior	Over Prior
Property Tax	\$ 17,427,297	\$ 17,965,148	\$ 537,851	3.09%
State Aid	\$ 6,015,508	\$ 6,243,378	\$ 227,870	3.79%
Local Receipts	\$ 2,215,343	\$ 2,363,606	\$ 148,263	6.69%
Available Funds	\$ 1,589,665	\$ 1,465,913	\$ (123,751)	-7.78%
total:	\$ 27,247,813	\$ 28,038,045	\$ 790,233	2.90%



FY2011- Revenue Estimates

- Property Tax –
 - Prior Year base plus 2 ½% increase (\$410,375)
 - Estimate for New Growth (\$150,000)
 - Mean \$10.5M in new value
 - Emerald Place & Tri-Town Landing developments
 - Overrides & Exclusions- capital, debt
 - No Override proposed
 - Debt Exclusions decreased by \$22,523
 - State Law requires you to assume 100% collection rate
 - Estimate for FY2011 = \$17,965,148



FY2011- Revenue Estimates

- State Aid-
 - House 2 relies on speculative revenue sources
 - Governor's projection for Ch. 70
 - Includes \$249,123 increase, to cover ARRA Grant
 - 5% reduction in Lottery (\$46,586)
 - Reduction in Quinn Bill funding- will be phased out in FY2010



FY2011 Revenue Estimates

- State Aid
 - Just beginning to hear what the Legislature is thinking about State Aid
 - Cut Chapter 70 up to 3% (\$143,325), each 1% = \$47,775
 - Cut Lottery up to 10% (\$93,172)
- Election Year



FY2011- Revenue Estimates

- Local Receipts – **increased \$148,263 (6.7%)**
 - Motor Vehicle Excise Tax, licenses, permits, fees, fines, investment income
 - Elastic Revenues- very dependant upon the economy
 - MVX is the largest component; first indication of what is happening is through Commitment #1, issued in February
 - Commitment was up \$59,100, or 7.45%
 - Estimate for FY2011, **2.5%** increase



FY2011 Revenue Estimates

- Local Receipts
 - Supplemental Tax
 - Additional \$7.1M in value; 50% of year
 - Emerald Place
 - Local Options Meals Tax
 - In effect 01/01/10; \$60K annually
 - Building Permits- +25%
 - Up \$40K; Emerald Place
 - Investment Income- -23%
 - Down \$30K; low rates; fewer "idle" fund



FY2011- Revenue Estimates

- Available Funds
 - Catch All Category
 - Some one-time revenues, causing a wide variance from year to year
 - SBA Reimbursement - \$559,057
 - Water & Sewer Betterments
 - Fully fund associated debt service & related costs
 - Sewer Enterprise Fund to fund Indirect Costs
 - Balance of Unexpended Articles

FY2011- Revenue Estimates Summary

	FY2007	FY2008	FY2009	FY2010	FY2011	\$ Increase	% Increase
	Actual	Actual	Actual	Budget	Recommend.	Over Prior	Over Prior
Revenue							
Property Tax	\$ 15,601,378	\$ 16,177,531	\$ 16,915,184	\$ 17,427,297	\$ 17,965,148	\$ 537,851	3.09%
State Aid	\$ 5,913,294	\$ 6,296,172	\$ 6,638,386	\$ 6,015,508	\$ 6,243,378	\$ 227,870	3.79%
Local Receipts	\$ 2,535,742	\$ 2,393,491	\$ 2,167,839	\$ 2,215,343	\$ 2,363,606	\$ 148,263	6.69%
Available Funds	\$ 3,040,009	\$ 2,920,374	\$ 2,208,675	\$ 1,589,665	\$ 1,465,913	\$ (123,751)	-7.78%
total:	\$ 27,090,422	\$ 27,797,568	\$ 27,930,084	\$ 27,247,813	\$ 28,038,045	\$ 790,233	2.90%

■ Areas of interest:

- House 2 is generally viewed as the base level for State Aid
- What will House & Senate Budgets show for State Aid?
- Will we meet our New Growth Projection?
- Will the Town receive anything from ARRA?

FY2011 Expenditures

■ Expenditures are divided into:

- Functional Categories (Departments)
- Non-Appropriated Costs
- Sewer Enterprise Fund (self supporting)
- Water Enterprise Fund (self-supporting)
- Solid Waste Disposal Enterprise Fund
- Other Warrant Articles with a Financial Impact



FY2011 Expenditures

- Town provides services
 - Services to students
 - Services to seniors
 - Services to residents
- Focus on service levels, not employees
- Demand for service
- Allocating resources to services



FY2011 Expenditures

- Operating Expenses are projected to increase \$919,885, or 3.43% over FY2010 adjusted.
- Where is the money going? Budget Busters!
 - Unclassified +\$370,981
 - Debt Service +\$271,925
 - Snow & Ice +\$92,500
 - Legal Expenses +\$80,000
 - Retirement Assessment +\$58,095
- Total = \$815,406 (89%)

FY2011 Expenditures

- Unclassified- +\$370,981 (17.83%)
- Health Insurance-
 - Did not see the savings expected in retiree health insurance due to enrollment
 - Last 6 months worth of Claims Experience has been poor
 - Estimating 10% increase in premium

FY2011 Expenditures- Health Insurance

Comparison Based Upon Headcount & Changes in Premiums				
Plan Type	Projected Headcount	Annual Cost to Town	Actual Headcount	Annual Cost to Town
MedEx III	8	\$ 25,712.64	7	\$ 23,855.58
Managed Blue for Seniors	54	\$ 229,189.82	96	\$ 438,147.07
Medicare HMO Blue	54	\$ 116,225.28	7	\$ 15,556.80
Medicare, Part B	116	\$ 100,432.80	110	\$ 95,238.00
Medicare, Part B Penalty		\$ 26,000.00		\$ 29,181.60
total:	116	\$ 497,560.54	110	\$ 601,979.05
				\$ (104,418.51)



FY2011 Expenditures-

Health Insurance

- FY2011 Renewal due February 2010
- PEC requested that we go out to bid
- MIIA will not release our renewal until after the bids are received
- Have been told to expect 11%

- Many options available to reduce costs
 - Network Blue Options v.3 will save 10%



FY2011 Expenditures-

Medicare Tax

- 1.45% tax on all earnings (no cap) for employees hired after 1/1/86 (mandatory)
- Facing a \$49K shortfall this FY
- After seeing School Budget, FY2011 estimate is too high, and can be reduced about \$25 - 30K

	Payroll	Inc. over PY	Medicare Tax
FY2007	\$ 12,267,082	\$ 407,092	\$ 172,052
FY2008	\$ 12,767,026	\$ 499,944	\$ 185,738
FY2009	\$ 13,618,463	\$ 851,437	\$ 205,675
FY2010	\$ 13,926,621	\$ 308,158	\$ 221,977
FY2011	\$ 13,989,528	\$ 62,907	\$ 259,087

FY2011 Expenditures

- Debt Service- +\$271,925
- Impact to General Fund +\$156,148
- Includes 2009 Issue (\$1M in dept. equipment 2007 & 2008 CIP; \$431K for Athletic Field & \$75K for Landfill)

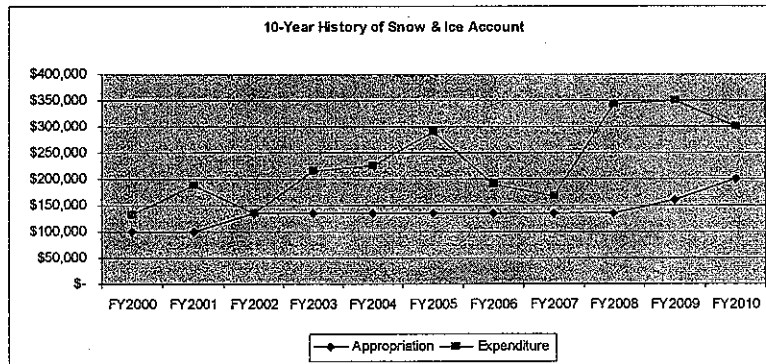
	FY2010	FY2011
Total: Debt Service	\$ 2,664,301	\$ 2,936,226
offsets:		
Tax	\$ 1,012,305	\$ 989,782
Sewer Betterment	\$ 726,968	\$ 802,490
Water Betterment	\$ -	\$ 62,779
Septic Receipts	\$ 10,872	\$ 10,872
MSBA	\$ 559,058	\$ 559,057
Net Impact: General Fund	\$ 355,098	\$ 511,246

FY2011 Expenditures- Snow & Ice

- Appropriation request \$292,500
 - FY2009 = \$160K
 - FY2010 = \$200K
- Average expenditure over 10 years is \$223,672
- Average expenditure over 5 years is \$268,230
 - 44% increase in cost of Salt per ton
 - 25% increase in cost of Sand per yard
 - Town only began purchasing Sand in FY2007

FY2011 Expenditures-

Snow & Ice



FY2011 Expenditures-

Legal Services (part of General Government)

- Appropriation request is \$175,000, which is an increase of \$80K
- FY2007 = \$211,656
- FY2008 = \$128,953
- FY2009 = \$175,812
- FY2010 = \$175,000+ (est.)



FY2011 Expenditures-

Retirement Assessment

- Received FY2011 Assessment
- \$595,713, which represents an 11% increase
- This year, for the first time, we took advantage of the 1 payment option, which saves about 2%
- Looking to do this again in FY2011 for a savings of \$11,905



FY2011 Expenditures-

Retirement Assessment

- H. 4439 would help cities and towns deal with the substantial losses incurred by municipal pension systems in 2008 and 2009 by allowing pension systems to extend their funding schedules by 10 years, from 2030 to 2040. Without an extension, cities and towns will face massive pension cost increases in fiscal 2012 to make up for the losses.



FY2011 Expenditures-

General Government

- Administrative, Financial & Planning Offices
- FY2011 Request = \$1,276,984
- Increase of \$119,257, or 10.3%
- \$80,000 for Legal Services
- \$15,000 to restore base salary (furlough)
- \$17,000 for Contractual Salary Adjustment
- \$8,000 in supplies, postage, training & development



FY2010 Expenditures-

Police Department

- In FY2001, there were 13 FT Officers & 25 Reserve Officers
- In FY2010, we have 13 FT Officers & 14 Reserve Offices
- In this same time, there has been a 77% increase in recorded Police incidents
- Assuming no change in staffing levels in FY2011, but hope to begin adding officers in FY2012



FY2010 Expenditures-

Police Department

Ratio of Full-time Police Officers per 1,000 residents	
Residents	Officers per 1,000
1,000 to 2,499	2.6
2,500 to 9,999	2.2
10,000 to 24,999	2.0
25,000 to 49,999	1.8
50,000 to 99,999	1.8
250,000 and up	2.5

*Lunenburg 10,024 1.3

Source: DOJ, Bureau of Justice Statistics, 2006 Police Staffing across the United States



FY2010 Expenditures-

Police Department

- Ratio of Police Officers per 1,000 residents in Massachusetts
 - ✓ Average 2.1 officers per 1,000 residents
 - ✓ Larger cities averaging 3.0 officers per 1,000 residents
 - ✓ Smaller communities averaging 1.8 officers per 1,000 residents
- Number of Lunenburg PD Full-time officers including the Chief =13
 - ✓ 1.3 officers per 1,000



FY2010 Expenditures-

Police Department

- FY2011 Appropriation Request + \$1,283,397
- 2.33% increase, \$29,183
- Cover contractual salary increases
- Restore Overtime & Training

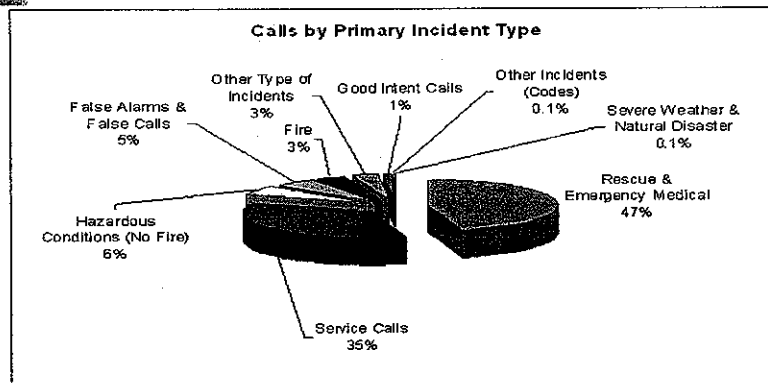


FY2010 Expenditures-

Fire Department

- Provide full-time and on-call service
- Staff
 - Chief
 - 1 Administrative/EMT-P/Dispatcher
 - 3 Career Firefighter/ EMT's
 - 36 Call Firefighters, 24 of which are EMT's

FY2010 Expenditures- Fire Department



- The dept has seen a 35% increase in the number of calls in the past 10 years

FY2010 Expenditures- Fire Department

- FY2011 requested appropriation = \$775,963
- \$40,492 increase (5.51%)
- \$22,444 is to cover salaries charged to a grant in FY2010. Unsure if this will be received in FY2011
- Balance to cover contractual salary increases, restore cuts to overtime & training



FY2011 Expenditures-

Other Protection


- Inspectional Services Department
- Anticipating a significant increase in workload due to development
 - Emerald Place – 240 units
 - Tri-Town Landing – 204 units
- FY2011 request is \$182,621, which is an increase of \$22,679, or 14.21%, for Plumbing, Wiring, Gas Inspectors



FY2011 Expenditures-

DPW/ Facilities

- FY2011 request is \$1,397,562, which is an increase of \$126,746 or 9.97%
- \$92,500 to increase Snow & Ice
- \$15,000 to restore cuts to Road Materials, which will still be \$20K below FY2009
- Balance to restore cuts to Facilities, Tree Maintenance and to correct an error in accounting for a salary
- Dept still down 1 position; Union agreed to Wage Freeze in FY2011



FY2011 Expenditures-Solid Waste

- FY2011 request is \$125,000 for Recycling Program and cost of Trash Removal for Public Buildings
- Will be reviewing this and Pay-As-You-Throw Program with the BOS in March



FY2011 Expenditures-Council on Aging

- 1,600 people in Lunenburg are age 60 or better
- Another 850 people will turn 60 in the next 5 years
- COA has introduced 7 new programs this year to attract seniors
- Just a few years ago we had fewer than 10 seniors in for lunch. Now we average about 30
- On many occasions, events draw 90+ people
- Sometimes there are 45 – 50 seniors at the Eagle House with only 1 staff member
- There have been an increasing number of times where 1 or 2 staff members had to evacuate 45 – 50 people due to an emergency.



FY2011 Expenditures-

Council on Aging

- A small department that sees lots of activity!
- FY2011 request is \$105,076, which is an increase of \$7,363, or 7.54%
- Covers contractual salary adjustments
- Includes funding for Sewer Service to Eagle House



FY2011 Expenditures-

Lunenburg Public Library

- FY2011 request is \$329,791
- Minimum appropriation needed to qualify for State Aid
- State Aid is used for CWMARS assessment
- Another small department that sees a lot of activity!

FY2011 Expenditures-

Lunenburg Public Library

Massachusetts Board of Library Commissioners
Data Comparison
Based on Data Reported in July 2007
Population Group (10,000-14,999)

Town	2006 Pop	Avg. Weekly Hours Open	Full Time Employee Equivalent	Total Hours Open/ FTE	Weekly Visits/ FTE	Circulation/ FTE
Lunenburg	10,010	44.0	5.1*	8.6	388.9	21,456
Athol	11,661	41.7	9.2	4.7		14,743
Clinton	14,163	40.6	6.6	6.9	261.6	22,138
Groton	10,585	41.6	13.7	3.2	122.8	18,538
Northborough	14,681	56.3	13.7	4.3	63.3	12,445
Oxford	13,712	48.2	11.0	4.8		11,707
Pepperell	11,412	42.8	7.4	6.0		18,870

FY2011 Expenditures –

Lunenburg Public Schools

- Superintendent's Budget
Recommendation is \$14,632,511
 - Increase of 1.3%, or \$186,691
- Town Manager's Preliminary
Recommendation is \$14,300,867
 - Decrease of 1%, or \$144,453



FY2011 Expenditures – Lunenburg Public Schools

- Town Manager's recommendation based upon:
 - Decreasing enrollment: 32 students
 - Reduction in Net Minimum Contribution of \$173,323



FY2011 Expenditures – Lunenburg Public Schools- Enrollment

School	Enrollment by Year	
	FY2010	FY2011
Lunenburg Primary	331	343
T.C. Passios Elementary	386	356
Turkey Hill Middle	407	402
Lunenburg High School	552	543
total: Enrollment	1676	1644
Net:		-32

FY2011 Expenditures –

Lunenburg Public Schools- Net Minimum Contribution

	Foundation Enrollment	Foundation Budget	Net Minimum Contribution	Amount Above Local Minimum	% Above Minimum
FY2011	1605	\$ 13,414,483	\$ 8,849,178		
FY2010	1622	\$ 13,779,998	\$ 9,022,501	\$ 2,027,524	22.47%
FY2009	1641	\$ 13,675,383	\$ 9,084,809	\$ 1,936,179	21.31%
FY2008	1665	\$ 13,121,501	\$ 8,885,020	\$ 1,703,945	19.18%
FY2007	1641	\$ 13,675,383	\$ 9,084,809	\$ 1,768,558	19.47%
FY2006	1663	\$ 11,716,392	\$ 8,601,526	\$ 1,666,004	19.37%

FY2011 Expenditures –

Lunenburg Public Schools

- The School Department has made cuts and created efficiencies over the past several years in recognition of declining enrollment
- 1.75 teaching positions eliminated
- 7 aide/ tutor positions eliminated
- 1 custodial position remains unfilled
- Reduction of \$331K in non-personnel expenditures
- Elimination of 1 bus



Conclusion

- Recommendation made based upon best available information
- Things have changed, even just since the Preliminary Budget was issued 2/15
- Preliminary Budget Recommendation doesn't make anyone happy
- Being able to adequately fund departments to meet service demands continues to be a challenge
- No department is "over-funded"
- The rapidly rising cost of providing employee benefits continues to be a major budget-driver ("the tail wagging the dog")



Conclusion

- Good news is that there are many ways to save money on health insurance, if the changes can be negotiated with employees (win-win)
- Based upon additional information, adjustments can be made to certain lines (Medicare) to "free up" funds



Conclusion- Next Steps

- School Committee Budget Hearing- 3/3
- FinCom begins review of budget- 3/11
- Await Legislature's review of House 2
- Continue to refine New Growth Estimates
- Continue to work on consolidation & regionalization efforts
- Continue to look at cost savings measures, including outsourcing.